Joint Economic Committee

PRESS RELEASE

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1982 - 117

EMBARGOED FOR RELEASE TO
6:00 P.M. SATURDAY, JANUARY 8, 1983

SOVIET ABILITY TO PROGRESS WITHOUT IMPORTS EXCEEDS OTHER INDUSTRIALIZED COUNTRIES

Washington, D.C. -- Senator William Proxmire (D-Wis.) today released a previously classified report which shows "the Soviet Union is perhaps the most self-reliant industrialized nation."

According to a report delivered last month to a Proxmire subcommittee hearing by a high-ranking Central Intelligence Agency official, "...the ability of the Soviet economy to remain viable in the absence of imports is much greater than that of most, possibly all, other industrialized economies."

The author of the report is Henry Rowen, Chairman, National Intelligence Council, CIA, who submitted the report at a closed hearing of the Joint Economic Subcommittee on International Trade, Finance, and Security Economics, of which Proxmire is Vice Chairman.

Proxmire said in a statement from his Washington, D.C., office, "Analysts in the West typically have focused on Soviet economic problems. The Soviet Union is our principal potential adversary. This is all the more reason to have accurate balanced assessments of the state of its economy.

"One of the worst things we can do is to underestimate the economic strength of our principal adversary."

Proxmire continued, "It needs to be understood that, while the Soviet Union has been weakened by such harmful developments as the inefficient performance of the farm sector and the heavy burden of defense, it is the world's second largest economy in terms of GNP, has a large and well-trained labor force, is highly industrialized, and possesses enormous reserves of natural resources, including oil and gas and the relatively scarce minerals and precious metals.

"It is sobering to reflect on the possibility that Soviet economic trends might improve rather than grow worse."

On Soviet trade, Rowen's report says, "Despite the large-scale expansion in agricultural imports, the Soviet Union remains basically self-sufficient with respect to food. These imports are intended mainly to prevent a decline in meat consumption and are not essential to maintaining an adequate quantity of food consumption."

"Despite the slowdown of the growth rate," Rowen said, "we do not consider an economic 'collapse' -- a sudden and sustained decline in GNP -- even a remote possibility."

The report concludes that the Soviet economy will continue growing slowly -- at an average rate of 1 to 2 percent for the foreseeable future, while per capita consumption could level off or even fall slightly.

Rowen's report says the consequences of the recent slowing of economic growth will have two major effects:

1. Soviet leadership will face much harder choices in allocating resources in consumption, investment, and defense.

2. There could be further invalidation of the USSR's claim that its economy is an appropriate model for the rest of the world, particularly the Third World.

The report also says, "Despite some experimentation with decentralized forms of economic administration, the Soviet leadership has remained firmly committed to strict central planning and management of most economic activity. The justification has been that rigorous centralization is required for fulfillment of national objectives.

"There are weaknesses in the Soviet economic system," the report states, "that even the new Andropov regime is not likely to change."

Copies of the report are available from the Publications Department, Joint Economic Committee, G-133 Dirksen Bldg., Washington, DC, 20510, or by calling (202) 224-5321.

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